

Message Text

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PAGE 01 LONDON 08818 01 OF 02 101822Z

46

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 SS-15 NSC-05

DODE-00 PA-01 USIA-06 PRS-01 H-02 (ISO) W

----- 086014

R 101734Z JUN 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1837

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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USMISSION OECD PARIS

USMISSION GENEVA

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 08818

E.O. 11652: N/A

TAGS: ELAB,PINT, UK

SUBJECT: TUC BEGINS AGONIZING REAPPRAISAL OF WAGES
POLICY

REF: LONDON 7671

1. SUMMARY - TOMORROW, THE TUC ECONOMIC COMMITTEE WILL
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PAGE 02 LONDON 08818 01 OF 02 101822Z

BEGIN THE LONG, TOUGH JOB OF SHORING UP THE SOCIAL CON-

TRACT, WITH THE GROWING AWARENESS AMONG TUC LEADERS, THAT IF IT FAILS TO GET THE UNIONS TO AGREE -- AND TO ABIDE BY -- A MORE RESTRAINED WAGES POLICY IN THE AUTUMN WAGE ROUND -- THE GOVERNMENT WILL HAVE LITTLE CHOICE BUT TO TAKE A VERY TOUGH LINE INDEED, PERHAPS EVEN ANOTHER WAGE FREEZE. END SUMMARY.

2. TUC GENERAL SECRETARY LEN MURRAY'S STAFF HAS PREPARED A SERIES OF OPTIONS FOR CONSIDERATION BY THE ECONOMIC COMMITTEE, BUT ALL OF THEM WOULD HAVE AS THE BASIC TARGET THE REDUCTION OF PRICE INFLATION TO ABOUT 15 PERCENT. AS THE DOCUMENT PREPARED FOR THE MEETING PUTS IT: "THIS MEANS THAT A MAJOR EFFORT HAS TO BE MADE TO GET THE WAGE AND PRICE FIGURES BELOW 20 PERCENT EARLY IN THE NEXT WAGE ROUND. THIS WILL BE VERY DIFFICULT TO ACHIEVE AND INDEED IMPOSSIBLE IN THE SHORT RUN, IF THE PRESENT RATE OF RISE IN PRICES IS TAKEN AS THE BASIS OF A WAGE GUIDELINE FIGURE FOR THE WHOLE OF THE NEXT PAY ROUND". IN ADDITION TO REAL PRICE RESTRAINT, THIS WOULD OF COURSE MEAN REAL RESTRAINT BY THE UNIONS IN CONTRAST TO CURRENT RATE OF WAGE INCREASES IN NEIGHBORHOOD OF 30 PERCENT .

3. AMONG THE OPTIONS THE ECONOMIC COMMITTEE WILL CONSIDER ARE THE SINGLE FLAT-RATE RAISES FOR ALL WORKERS (REFTEL) ALTHOUGH MURRAY'S STAFF SHARES THE VIEW OF SOME UNIONS THAT THIS PROCEDURE WOULD UPSET SKILL DIFFERENTIALS. ANOTHER OPTION IS TO COMBINE A CASH FIGURE WITH A PERCENTAGE FIGURE, AND STILL ANOTHER WOULD BE TOTAL INDEXATION OF WAGES TO PRICES THUS OBTAINING ANNUAL INCREASES.

4. NORMAN WILLIS, TUC ASSISTANT GENERAL SECRETARY, TOLD US THAT THE COMMITTEE WILL BE DISCUSSING ALL THESE OPTIONS IN A MUCH MORE SOBER LIGHT THAN ABOUT FOUR OR FIVE WEEKS AGO. HE SAID THEY RECOGNIZE THE SERIOUS STATE OF THE ECONOMY AND THAT FURTHERMORE, WITH THE WAGE ROUND ALMOST OVER, THEY CAN BEGIN MORE FREELY TO CONSIDER AN AMENDED SOCIAL CONTRACT. TOMORROW'S MEETING WILL BE FOLLOWED BY A FURTHER DISCUSSION IN JULY PREPARATORY TO THE TUC CONGRESS IN BLACKPOOL IN SEPTEMBER WHICH WOULD GIVE LIMITED OFFICIAL USE

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PAGE 03 LONDON 08818 01 OF 02 101822Z

ITS FINAL APPROVAL TO A NEW POLICY. WILLIS ACKNOWLEDGES

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PAGE 01 LONDON 08818 02 OF 02 101823Z

46

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INFO AMEMBASSY BONN

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LIMITED OFFICIAL USE SECTION 02 OF 02 LONDON 08818

A TUC AWARENESS THAT THE GOVERNMENT HAS REACHED A POINT
THAT IF IT DOES NOT GET THE KIND OF VOLUNTARY RESTRAINT
FROM THE TRADE UNIONS WHICH IT SEEKS, IT WILL HAVE TO
TAKE SOME VERY DRASTIC ACTION IN THE FALL, NOT EVEN EX-
CLUDING POSSIBILITY OF ANOTHER WAGE FREEZE (DESPITE RE-
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PAGE 02 LONDON 08818 02 OF 02 101823Z

CENT STATEMENTS MADE BY THE PRIME MINISTER TO THE CONTRARY).

5. THE SITUATION IS SOMEWHAT BECLOUDED BY THE EXISTENCE OF TWO MAJOR SUPRA SOCIAL CONTRACT CLAIMS IN THIS ROUND OF WAGE NEGOTIATIONS, PARTICULARLY THAT OF THE NATIONAL UNION OF RAILWAYMEN WHO HAVE THREATENED TO STRIKE FROM JUNE 23 IF BRITISH RAIL DOES NOT IMPROVE UPON THE SPECIAL ARBITRATION TRIBUNAL AWARD OF 27.5 PERCENT. THE NUR IS INSISTING ON 35 PERCENT FOR THE LOWEST PAID RAILROAD WORKERS AND 30 PERCENT FOR THE OTHERS. A SPECIAL MEETING BETWEEN BRITISH RAIL NEGOTIATORS AND THE THREE RAILROAD UNIONS WILL BE HELD TOMORROW IN AN EFFORT TO RESOLVE THE DEADLOCK. ANOTHER LARGE CLAIM IS BEING PUT FORWARD BY LOCAL GOVERNMENT WORKERS AFFILIATED TO THE NATIONAL AND LOCAL GOVERNMENT OFFICERS ASSOCIATION (NALGO) WHO ARE PRESSING A CLAIM BETWEEN 25 AND 43 PERCENT. (THE UNION REPRESENTS 400,000 WHITE COLLAR WORKERS IN LOCAL GOVERNMENT.)

6. COMMENT: THE "AGONIZING REAPPRAISAL" OF ITS WAGES POLICY BY THE TUC WHICH WILL TAKE PLACE OVER THE SUMMER MONTHS IS EXTREMELY CRUCIAL. IT WOULD APPEAR THAT THE GOVERNMENT WILL ALLOW THE TUC TO TKE ANOTHER STAB AT A VIABLE WAGES POLICY CONSONANT WITH DAMPENING DOWN INFLATION BEFORE IT TAKES ANY REALLY DRASTIC MEASURES. IF THE TUC FAILS TO COME UP WITH A WORKABLE POLICY ACCEPTABLE TO AND IMPLEMENTED BY THE UNIONS, IT IS AWARE THAT THE GOVERNMENT CAN NO LONGER STAND IDLY BY, EVEN IF IT MEANS SOME REAL TENSION -- PERHAPS A SPLIT -- WITHIN THE LABOR MOVEMENT.

RICHARDSON

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